# Legacy

A FINANCIAL & CHARITABLE PLANNING GUIDE FROM ADOLESCENT COUNSELING SERVICES | SUMMER 2007

## USE YOUR IRA TO SUPPORT ACS

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Planned Giving Committee Chair

**CAN YOU USE THE REQUIRED MINIMUM DISTRIBUTIONS FROM YOUR IRA TO MAKE A GIFT TO ADOLESCENT COUNSELING SERVICES?**

Americans are among the most generous people in the world with 70 percent of households contributing to charitable organizations annually.

Yes, as long as you are 70½ or older and the required minimum distribution is $100,000 or less per year.

This is an opportunity for you to avoid receiving the required distribution and paying income taxes on it. You can ask your IRA custodian to transfer the distribution—as a tax-free rollover—directly to ACS!

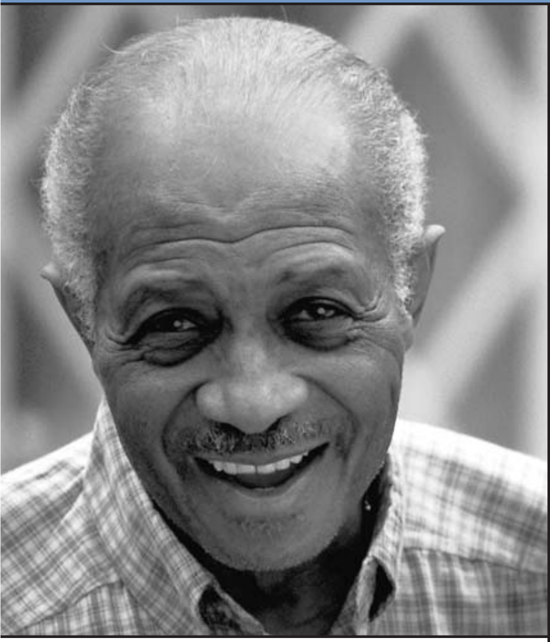
**The winners**—Those who are taking required minimum distributions from their IRAs as well as making charitable gifts to ACS may consider making these donations from their IRAs. These gifts can be made as part of or in addition to any other charitable giving plans.

The charitable distribution generates neither taxable income nor a tax deduction for the donor, so even those who do not itemize on their tax returns receive a benefit. And the charitable distributions may count toward minimum required distribution requirements.

This is a wonderful opportunity for Friends of ACS who want to make charitable gifts from their retirement assets but have been discouraged from doing so in the past because of the income tax penalty.

**Timing is important!** This special incentive is only effective for charitable transfers made before the end of 2007. Check with your advisors about the best way to take advantage of this new tax-saving opportunity. But be sure to act before it's too late! For more information, please contact Lynn Peralta, Development and Marketing Director, at (650) 424-0852, Ext. 103, or giving@acs-teens.org. ■

# INVEST IN YOUR FUTURE: UNDERSTANDING YOUR ESTATE PLAN



The majority of Americans die without a will, the bedrock of a sound estate plan.

## Do you need to:

- protect yourself or a family member financially as you age?
- reduce income taxes?
- avoid estate and inheritance taxes?
- prevent the forced sale of family assets such as a farm or business?

Good intentions are often sabotaged by procrastination and difficult decisions. Take a minute to invest in your future. Read on to discover the truth behind some commonly held beliefs.

**"I made a will years ago—so that is one thing I do not have to worry about again."**
A will needs to be reviewed on a regular basis by a qualified attorney. Events such as a move to another state, divorce, death, marriage, the birth of children or adoption could necessitate a change in your will. Tax laws also change frequently, and your estate plan should reflect the latest changes.

**"I created a trust to save taxes."**
Many trusts established as part of an estate plan avoid probate, but assets in a revocable living trust still are likely to be fully taxable to you. Because the trust assets are still yours according to the IRS, you remain taxable on the trust income, and the trust assets are subject to estate tax. But both a living trust (established during your lifetime) and a testamentary trust (established at death) can, if properly drafted and funded, save estate taxes. In either case, for example, a proper trust can minimize taxes if you are married and your combined estates are worth more than the amount exempt from estate tax.

**"I should avoid probate at all costs."**
Not necessarily. Probate refers to the court process for determining the validity of your will, collection and disposition of assets, payment of proper claims and legacies, filing of tax returns, and distribution of your estate as directed by your will. There is nothing inherently wrong with probate provided your state has streamlined the procedures and settlement costs are reasonable. Of course, probate difficulties may result from a poorly drawn or outdated will, and here the remedy is up to you. ■

## scoreboard

The United States is on the verge of the largest transfer of wealth in its history—an estimated $41 trillion will change hands over the next 20 years. The top 1 percent of wealthiest Americans—two-thirds with estates between $1 million and $10 million—are well prepared to pass on their assets to the next generation.

They prepared themselves by…

Discussing their estate plans with their spouses…89%
Naming an executor of their estates…86%
Familiarizing themselves with estate tax laws in their states…72%
Developing an estimate of the amount their taxes are likely to total at their death…55%
Discussing their estate plans with their children…34%

| ELEMENTS OF A WILL | WHAT YOU MAY NEED TO CONSIDER |
|---|---|
| *Your name and legal domicile* | Have you moved or purchased property in another state? Which state laws will govern the interpretation of your will? |
| *Revocation of prior wills and codicils* | President John Quincy Adams wrote a new will and revoked his prior will "which had been mislaid among his papers." Do you need to revoke a misplaced will? |
| *Name of executor or personal representative* | Is your executor still living and capable of representing you? |
| *Administration expenses and taxes* | Do you want your estate or your beneficiaries to pay your estate taxes? |
| *Specific gifts* | Do you want to direct items of sentimental value or of special interest to particular individuals? |
| *Residuary estate* | Could ACS benefit from what is left of your estate after payment of expenses? |
| *Survivorship clause* | If you and your spouse die in a joint disaster, what is the presumed order of death? |
| *Fiduciary powers* | What powers do you wish your executor or personal representative to have over the disposition of your property? |
| *Signatures* | Signatures, witnesses, notarization—what will be necessary in the state in which you make your will? |

# PLAYING IT SAFE

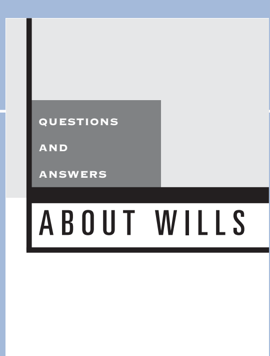
### Do You Need a Financial Safety Net?

**The Challenge:** Jeanette helps support her grandson by contributing to his day-to-day living expenses. Wanting to ensure his future support should something happen to her, Jeanette is looking for a solution that allows her to retain control of her money now.

**The Solution:** Jeanette's advisor suggests she place assets in a revocable living trust, which will be used to support her grandson. With this trust she can change the terms, make contributions to it or even terminate the trust. Because Jeanette retains control over the trust, however, estate taxes will be imposed upon the assets at her death.

**The Benefits:** Trust assets can be professionally managed in the event of Jeanette's physical, emotional or mental incapacity. Or, if Jeanette were to die, the trust assets would bypass the probate process—the legal process of validating a will.

**Future Option:** When Jeanette feels ready to part with the trust assets, and when her grandson no longer depends upon them, she can ultimately give the remaining assets to a charitable organization by creating a charitable remainder trust. ■




## *Giving Made Easy*

The best gift you can give yourself is to have an up-to-date will. The easiest way to support Adolescent Counseling Services is to include us in your will. For answers to your questions on wills, send for our FREE brochure by returning the enclosed response card/reply mailer.

# MAKING DECISIONS ON YOUR OWN

**When someone close to you dies, you may need to make decisions on many important matters on your own, including the financial decisions associated with death. The following list outlines some of these critical decisions.**

**The legacy you leave to ACS depends not on the size of your estate, but on the measure of your heart.**

**The funeral.** Unless plans were made in advance, you will need to make burial arrangements. Ask for an itemized written statement of the products and services you have selected before you sign any contract. If your loved one was a military veteran, inquire about possible burial benefits.

**Original copy of the will.** Within a few days of the death, you will need to locate the original copy of the decedent's will. Check with family members or the decedent's lawyer. The original will must be recorded with the county in which the decedent resided within a limited time after the date of death (typically 30 days).

**Insurance.** Unless the decedent selected the form of payout, the beneficiary can choose among various life insurance policy options, including fixed payments of interest, a lump-sum payment and installment payments for a length of time. If you have been dependent on auto, health or other forms of coverage of the decedent, you may need to arrange continuing or new coverage.

**Credit cards.** The executor will need to cancel the decedent's credit cards or convert the accounts to the appropriate name. Review outstanding loans, because some may be covered by credit life insurance that will pay off the debt in full.

**Spouse's benefits.** If you are a surviving spouse, you may be eligible for various benefits, such as Social Security, an IRA balance or employee plan payments.

### Remember

A death in the family often requires you to update your beneficiary designations on items such as life insurance, IRAs and other retirement benefits. It may also serve as a reminder to update your own will or prepare one if you have not done so. ■

Adolescent Counseling Services
Helping teenagers find their way.

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